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Subject: RE: Alter Ego Question

Based on my research, without more, the mere paying of a taxpayer's personal expenses, with the taxpayer reporting these payments as taxable income, and the corporation who made the payments taking deductions on its tax returns for the payments, is not enough to levy a corporation we suspect of being an alter ego. See In re Blatstein, 192 F.3d 88 (3rd Cir. 1999).

Under Florida law, "piercing the corporate veil" is an equitable doctrine which is applied sparingly. In re Multiponics, 622 F.2d 709 (5th Cir. 1980). To find that the corporation's separate legal identity should not be recognized, however, the corporation need only be an instrumentality of that person. See Bendix Home Systems, Inc. v. Hurston Enter., Inc., 566 F.2d 1039 (5th Cir. 1978); Shearson Hayden Stone, Inc. v. Lumber Merchants, 500 F. Supp. 491, 501 [*20] (S.D. Fla. 1980); Tato, 64 AFTR.2d at 5520.

Under Florida law, the corporation's separate identity will be disregarded if it is a "mere instrumentality" of another individual or another corporation created to mislead creditors or individuals or exists for fraudulent purposes. Tato, 64 AFTR.2d at 5520; Bendix Home Sys., 566 F.2d at 1041. "In any suit to disregard the corporate entity, it is of primary importance to examine the relationships between the corporations and the individuals involved." *Id.*

Other than the fact the alleged "alter ego" corporation has been paying the personal expenses of the taxpayer, with both the corporation and the taxpayer properly reporting such items on their respective tax returns, we are not able to say whether this is a situation where the IRS should issue a nominee levy against the "alter ego" corporation.

